Redding Bank of Commerce℠

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March 10, 2006

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re. Proposed Guidance- Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices - 71 FR 2302 (January 13, 2006)

Dear Sir or Madam,

Comments on Proposed Guidance: Concentrations in Commercial Real Estate (CRE) Lending, Sound Risk Management Practices

Summary

The following commentary is in response to the proposed ***Interagency Guidance on CRE Lending, Sound Risk Management Practices***.

Overall, Redding Bank of Commerce agrees with the proposed regulatory guidance. The recognition of total capital in relation to CRE levels makes perfect sense as a relevant gauge when assessing exposures. We also welcome the proposed exclusion of owner-occupied (O/O) non-farm nonresidential property loans in which 51 percent or more of the property is occupied by the owner of the property. By "risk-adjusting" CRE exposure and evaluating those levels to total capital, regulators and bankers can better allocate resources and focus on relevant risks to an institution's earnings and capital. However, we feel there are two additional loan types which should also be "risk-adjusted" out of the CRE definition.

Commercial Real Estate Exposure Definition

Commercial and residential construction loans, where the project owner is to occupy the property, carry similar lower risk characteristics as the proposed exclusion of O/O properties.

Obviously, the construction phase of any project carries inherent risks that are absent in the financing of an existing structure, however; **the repayment source of these loans remains centered with borrower's business and/or personal cash flow and not from the sale or rental income from the property**. In fact, the cash flows/repayment sources from owner-occupied projects are broadly diversified and inconsistent with the definition of a concentrated asset class. By aggregating owner-occupied construction projects with inherently riskier construction loans such as speculative SFRs and commercial projects with no pre-leasing activity, concentration exposures can be greatly exaggerated. In addition to overstating relevant risk factors, examiners may improperly assess an institution's risk profile in relation to capital.

Best Practices Culture

The management team at Redding Bank of Commerce (RBC) takes great pride in the risk management of the bank's CRE concentration exposure. In fact, the majority of the agencies' proposed guidance has been standard risk management practices at the bank for a number of years. We view this proposal as an opportunity to further strengthen our risk management practices and will adopt, as "best practices," any relevant directives even prior to a final ruling as formal regulatory guidance.

Thank you for the opportunity to comment on the proposed guidance.

Respectfully,

Patrick J. Moty
Executive Vice President
Chief Credit Officer
Redding Bank of Commerce

Samuel D. Jimenez
Senior Vice President
Director of Risk Management
Redding Bank of Commerce